

RI EXPERT BRIEFING: MODERN SLAVERY

Modern Slavery is inflicted on millions of people all over the world. But often it's not called slavery, and many people don't even know it exists. In this updated RI Expert Briefing we take a deep dive into Modern Slavery and how we approach the issue here at Edentree.



WHAT IS MODERN SLAVERY?

There is no globally agreed definition of Modern Slavery, however there is broad consensus that it encompasses elements of bonded and forced labour, the trafficking of persons, and descent based on inherited forms of slavery. Modern slavery can include, but does not require, the movement of people. At the heart of this modern phenomenon is the aim of exploiting or enslaving victims in a variety of coercive or deceptive practices.

DOES TRAFFICKING DIFFER FROM MODERN SLAVERY?

They tend to be umbrella and inter-related terms to refer to sex trafficking and compelled labour. In international law, the main source text is the UN Convention on Transnational Organized Crime (2000) which includes the Protocol to Prevent Trafficking in Persons (also known as the Palermo Protocol). This entered into force in 2003 and is the first binding agreement to tackle the phenomenon of Modern Slavery.

WHAT FORMS DOES MODERN SLAVERY TAKE?

The main form Modern Slavery takes is people trafficking for the purpose of either sexual or labour-related exploitation. Sex trafficking occurs when individuals are forced or coerced into prostitution, often linked to a 'debt', which exploiters force the individual to pay off before they can be released. Child sex trafficking is a similar offence where the individual is legally a minor. Forced or bonded labour is another form of Modern Slavery (or labour trafficking) where an individual is recruited, transported and compelled to work.

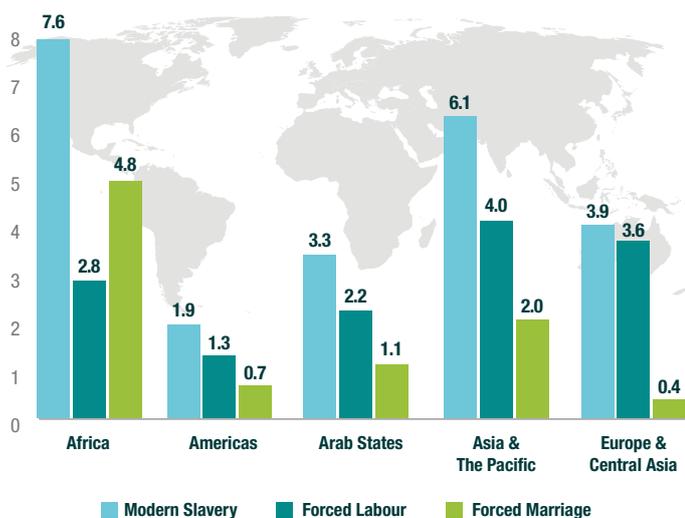
Female victims of labour trafficking exploited in domestic servitude are also vulnerable to sexual abuse and exploitation. Debt bondage (bonded labour) is a specific form of forced labour linked to an imposed bond or debt. Debt (which can be inherited or imposed) is exploited by traffickers often to the point where it is difficult or impossible to pay off thereby perpetuating the conditions for enslavement. People may also be born into slavery because their ancestors or families have 'belonged' to slave-owning families. Slave status is thereby passed down the maternal line. This form of slavery can be most commonly found across the Sahel belt of Africa in countries such as Mauritania and Niger.



WHAT COUNTRIES HAVE SLAVERY TODAY?

In reporting the prevalence of Modern Slavery, the ILO found no country to be wholly immune.

Regional prevalence of modern slavery (per 1,000 population) by category



Source: <https://www.globallslaveryindex.org/2018/findings/regional-analysis/regional-findings/>

Looking regionally, the Global Slavery Index has found that the prevalence of modern slavery is highest in Africa with 7.6 victims for every 1,000 people in the region. This was followed by Asia and the Pacific (6.1 victims) and Europe and Central Asia (3.9 victims). The countries found to have the highest prevalence of slavery are North Korea, Eritrea, Burundi, the Central African Republic and Afghanistan. Countries with the lowest prevalence overall are all to be found within the EU or EEA (Luxembourg, Ireland, Norway and Denmark). However, the prevalence of modern slavery in highly developed, high-income countries is believed to be higher than previously understood¹.

¹⁻²⁻³ <https://www.globallslaveryindex.org/2018>

⁴ <https://www.gov.uk/government/publications/2021-uk-annual-report-on-modern-slavery/2021-uk-annual-report-on-modern-slavery-accessible-version>

HOW MANY ARE CAUGHT UP IN MODERN SLAVERY?

Estimating exact numbers is challenging; by its very nature people trafficking is a ‘stealth-industry’. The Global Slavery Index estimates that 40.3m people are involved in some form of Modern Slavery. This is believed to be a conservative estimate. Of the 40.3 million people caught up in slavery, it is estimated that 24.9 million people were in forced labour and 15.4 million people were living in a forced marriage. Women and girls are vastly over-represented, making up 71% of victims².

IS THE UK AFFECTED?

Yes. Research conducted by the UK Home Office in 2014 estimated that there were between 10,000 to 13,000 potential victims of modern slavery in the UK. However, the UK National Crime Agency (NCA) has found this to be only the “tip of the iceberg”. Indeed, the Global Slavery Index estimates that there are actually 136,000 people living in modern slavery in the UK on any given day³.

The latest figures from the National Referral Mechanism for 2020 identified 10,613 potential victims (referrals) – a similar number to 2019. 48% of those were adults, a decrease on 2019, and 47% were children, an increase on the previous year. As in 2019, the most common nationality of potential victims in 2020 was UK nationals, accounting for 34% (3,560) of all referrals. The second most referred nationality was Albanian (15%; 1,638), followed by Vietnamese nationals (6%; 653). Male potential victims (7,826) also increased as a proportion of NRM referrals, from 68% in 2019 to 74% in 2020. The most common forms of exploitation reported were labour exploitation of adults and criminal exploitation of minors.⁴

In addition, like many other countries globally, the UK is also exposed to the risk of modern slavery through the products it imports.

HOW IS BUSINESS AFFECTED?

The Modern Slavery Act (2015) is the UK's legislative response to tackling human trafficking and Modern Slavery. It consolidates and strengthens existing law and created an Anti-Slavery Commissioner. The Act also includes Transparency in Supply Chain Provisions relating to potential incidences of slavery within corporate supply chains. The Act requires companies with turnover exceeding £36m pa to publish an annual statement that either:

- Confirms the steps taken to ensure Modern Slavery and trafficking are not taking place, or
- Confirms that no steps have been taken to audit potential incidences of Modern Slavery and trafficking in the supply chain

WHAT EFFECT HAS THE MODERN SLAVERY ACT HAD?

Through the Act, the UK became the first country in the world to introduce transparency in supply chain requirements. However, the Act does not mandate any binding due diligence on business and no penalties for non-compliance. Companies are required to prepare a statement on the steps (or not) taken to assert that human trafficking has not taken place. The Registry is the largest global resource of how companies globally are responding to the challenge of Modern Slavery, and currently comprises over 2,800 corporate statements from 34 countries operating across 26 sectors. These Statements can be viewed at <https://modern-slavery-statement-registry.service.gov.uk/>.

WHAT DOES GOOD LOOK LIKE?

Modern Slavery statements should be a useful tool for business, investors and consumers. For businesses, they provide a way of planning, monitoring and reporting on their modern slavery due diligence, and for investors and consumers they provide a way of holding businesses to account. However, all too often Modern Slavery statements are treated as a tick box exercise. To be effective, statements should be detailed and well-evidenced, align with best practice, be open and transparent about findings (and incidents of slavery uncovered), demonstrate continuous progress, and address both long and short term actions. For example Nestlé's Modern Slavery [Statement](#), spanning 24 pages, explains the company's eight-step approach to address salient human rights issues. This includes a deep dive into their six priority raw materials and transparent reporting of audits and incidents raised.



WHAT SECTORS ARE EXPOSED TO MODERN SLAVERY?

All sectors may have potential exposure to human rights related issues. However, this will be of material concern to sectors characterised by low-skilled, temporary and sub-contracted labour. This includes agricultural produce, apparel, construction and some service sectors. Areas where we have sought to engage over the years include apparel and food retailers, transport companies (end of life shipbreaking), labour conditions in the travel (cruise ship) industry, construction companies, and waste management.

WHAT IS EDENTREE'S RESPONSE TO MODERN SLAVERY?

Human rights are a core positive pillar for inclusion in our Responsible and Sustainable Fund range, and we therefore strongly support the UN Guiding Principles 'Protect, Respect and Remedy' regime. Companies for whom human rights are a material risk must, in our assessment, have adequate policies and processes in place to police and mitigate any potential human rights violations throughout their sphere of influence.

We assess all companies for the material impact of potential human rights risk, which may include:

- A broad assessment of supply chain human rights risk
- Corporate preparedness for dealing with material human rights risk in direct or supplier operations
- Particular focus on any prevalence of child, forced, bonded or trafficked labour
- Particular focus on countries or territories with poor human rights records as recorded by Freedom House and Transparency International

Companies may be excluded or not recommended for investment under our ESG/Responsibility screen where there is either prevalence or a high potential for human rights violations.

In addition, Modern Slavery is a key focus of our engagement work. For example, in 2020 we conducted a [thematic engagement](#) with 10 construction companies to better understand existing due diligence on the topic and where this could be strengthened. We are also active participants in several industry collaborations specifically on the topic of Modern Slavery. This includes [Votes Against Slavery](#) (VAS) which focuses on adherence with the reporting requirements of the Modern Slavery Act 2015, and [‘Find it, Fix it, Prevent it’](#) which encourages companies to discover modern slavery in their supply chains and provide the appropriate care and remedy.



THE RESPONSIBLE INVESTMENT TEAM

We have a specialist in-house Responsible Investment (RI) team who carry out thematic and stock-specific research to identify ethically responsible investment ideas for our range of screened Funds. Headed up by Neville White, Head of RI Policy & Research, and supported by Responsible Investment Analysts Carlota Esguevillas, Rita Wyshelesky and Amelia Gaston, the team is also responsible for creating an on-going dialogue with companies, allowing us to engage on a wide variety of ethical and socially responsible investment concerns. For investors, it's an added layer of assurance that our client's money is being invested in companies that are operating in a responsible and sustainable way. Our ethical and responsible investment process is overseen by an independent Advisory Panel that meets three times a year, and comprises industry and business experts, appointed for their specialist knowledge.



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We hope you enjoy this RI Expert Brief and find it useful and informative.

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